

Message Text

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ACTION EUR-12

INFO OCT-01 AF-06 IO-11 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /118 W

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R 101601Z FEB 76

FM AMEMBASSY BERN

TO SECSTATE WASHDC 2110

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

USDEL MTN GENEVA

AMCONSUL ZURICH

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DEPT PASS TREASURY AND FRB

EO 11652: N/A

TAGS: EFIN ECON SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK OF FEBRUARY 1-7

SUMMARY: THE DOLLAR WAS RELATIVELY STABLE THIS WEEK WHILE GOLD PRICES FLUCUATED UPWARD. THE SWISS NATIONAL BANK (SNB) HAS INCREASED THE REPORTING REQUIREMENTS ON COMMERCIAL BANK FOREIGN EXCHANGE TRANSACTIONS. THE MONEY AND CAPITAL MARKETS ARE STILL VERY LIQUID, AND NEW CAPITAL MARKET ISSUES IN 1975 HIT A RECORD HIGH. A SURVEY OF 250 INDUSTRIAL FIRMS INDICATES THAT THE RECESSION IS SLOWING. ON AN ANNUAL BASIS, CONSUMER PRICES IN JANUARY WERE UP 3.4 PERCENT WHILE WHOLESALE UNCLASSIFIED

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PRICES DECLINED 4.3 PERCEMT. A REVISED SET OF NATIONAL

ACCOUNTS DATA FOR 1968 THROUGH 1975 SHOWS THAT IN 1975
REAL GNP FELL 7.0 PERCENT. THE FEDERAL COUNCIL HAS
INCREASED THE MAXIMUM TIME A WORKER MAY DRAW COMPENSATION
FOR WORKING SHORT TIME. PETROLEUM CONSUMPTION IN SWITZERLAND
FELL 3.9 PERCENT IN 1975.

FINANCIAL

1. FOREIGN EXCHANGE AND GOLD: THE DOLLAR WAS RELATIVELY
STABLE IN MODERATELY ACTIVE TRADING THIS WEEK. ONCE
AGAIN THE GOLD MARKET WAS MORE ACTIVE THAN FOREIGN EXCHANGE,
AND THE PRICE STRENGTHENED WHILE FLUCTUATING WIDELY. RATES AS
FOLLOWS:

	2/2(OPEN)	2/6(CLOSE)
SPOT DOLLAR	SF 2.5990	SF 2.5923
FORWARD DISCOUNTS (PCT. P.A.)		
ONE MONTH	- 4.3	- 4.6
2 MONTHS	- 4.2	- 4.4
3 MONTHS	- 4.2	- 4.3
6 MONTHS	- 3.7	- 3.9
12 MONTHS	- 3.4	- 3.5
SF/DM	SF 100.46	SF 100.71
GOLD	\$128.00	\$130.00

2. FOREIGN EXCHANGE REPORTING: AS OF JAN 30, THE SNB IS REQUIRING
THE COMMERCIAL BANKS TO PROVIDE ADDITIONAL INFO ON THEIR FOREIGN
EXCHANGE TRANSACTIONS. EACH BANK MUST NOW REPOR ITS NET FOREIGN
EXCHANGE POSITION, INCLUDING CASH HOLDINGS AND FORWARD ASSETS
AND LIABILITIES FOR THE ENTIRE BANK, I.E., INCLUDING DOMESTIC
BRANCHES AND SUBSIDIARIES. THE POSITIONS OF FOREIGN BRANCHES
AND SUBSIDIARIES NEED NOT BE INCLUDED (BUT MAY BE IN THE FUTURE--
SEE BERN 514). REPORTS MUST BE SUBMITTED ON THE LAST WORKING DAY
OF EACH MONTH, BUT THE SNB MAY ASK FOR ADDITIONAL REPORTS
WHENEVER IT WISHES. BANKS IDENTIFIED BY THE SNB AS BEING INVOLVED
IN LARGE INTERNATIONAL ARBITRAGE OPERATIONS MUST REPORT WEEKLY.
IF A BANK'S NET POSITION IN ANY INDIVIDUAL CURRENCY
CHANGES BY MORE THAN SF 10 MILLION BETWEEN TWO REFERENCE
DATES, THIS MUST BE REPORTED IMMEDIATELY.

3. MONEY AND CAPITAL MARKETS: THE MARKETS ARE STILL
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VERY LIQUID. CALL MONEY RATE WAS UNCHANGED AT 0.25
PERCENT AND THE MEDIAN YIELD ON OUTSTANDING CONFEDERATION
BONDS EAASED DOWNWARD FROM 5.40 PERCENT ON JANUARY 30
TO 5.35 PERCENT ON FEBRUARY 6. ACTIVITY ON SWISS
STOCK EXCHANGES CONTINUED AT A RELATIVELY HIGH
LEVEL AND PRICES FIRMED. THE SKA INDEX ROSE FROM
204.1 (END 1959 EQUALS 100) LAST FRIDAY TO 206.6 ON FEBRUARY 6.

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----- 007339

R 101601Z FEB 76

FM AMEMBASSY BERN

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DEPT PASS TREASURY AND FRB

CAPITAL MARKET IN 1975: THE HIGH LIQUIDITY AND LOW
INTEREST RATES TO BE FOUND IN THE SWISS CAPITAL MARKET
DURING MOST OF 1975 PROMPTED A CONSIDERABLE INCREASE
IN NEW DOMESTIC AND FOREIGN ISSUES. NEW DOMESTIC
BOND ISSUES IN 1975 TOTLED A RECORD SF 5,956.5
MILLION, UP FROM SF 3,943.9 MILLION IN THE PRECEDING
YEAR. THE AMOUNT OF FOREIGN BOND ISSUES ROSE FROM
SF 1,011.3 MILLION IN 1974 TO SF 2,355.1 MILLION IN
1975. THE FIGURE FOR 1975, HOWEVER, WAS STILL BELOW
THE RECORD LEVELS ACHIEVED IN 1972 AND 1973. WITH THE
ADDITION OF NEW STOCK ISSUES AMOUNTING TO SF 1,089.9
MILLION, THE TOTAL AMOUNT OF NEW SECURITIES SOLD IN
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1975 TOTLED A NEW HIGH OF SF 9,401.5 MILLION, COMPARED WITH SF 5,571.0 MILLION IN 1974. AFTER DEDUCTION OF REPAYMENTS, THE SWISS CAPITAL MARKET PROVIDED A NET OF SF 8,565.8 MILLION IN 1975, AGAINST SF 4,905.7 MILLION IN THE PREVIOUS YEAR.

4. SNB STATEMENT OF ACCOUNT FOR JANUARY: SIGNIFICANT ENTRIES IN THE SNB'S STATEMENT OF ACCOUNT FOR JANUARY 1976 ARE SHOWN BELOW. THE MAJOR CHANGES ARE DUE TO UNWINDING OF END-OF-YEAR ASSISTANCE TO THE COMMERCIAL BANKS. ALTHOUGH THE SHORT-TERM SWAPS TOTALING SF 4,766 MILLION HAVE BEEN LARGELY LIQUIDATED, THE DECLINE IN FOREIGN EXCHANGE WAS PARTIALLY OFFSET BY MORE THAN SF 1 BILLION IN SNB INTERVENTION TO HOLD DOWN APPRECIATION OF THE SF IN EARLY JANUARY.

JAN. 30 CHANGE FROM DEC. 31

(MILLIONS OF SWISS FRANCS)

ASSETS

GOLD	11,893	--
F/X	11,319	DOWN 3,387
ROOSA BONDS	5,403	--
DISCOUNTED PAPER	261	DOWN 1,451
LOMBARD LOANS	10	DOWN 190
OTHER	775	DOWN 277

LIABILITIES

NOTES IN CIRCULATION	17,912	DOWN 1,216
GIRO ACCOUNTS	6,695	DOWN 4,784
RESERVES(FOREIGN LIABL.)	177	UP 12
OTHER	4,877	UP 683
BALANCE SHEET TOTALS	29,661	DOWN 5,305

ECONOMIC

6. ECONOMIC SITUATION: BASED ON A SURVEY OF 250 INDUSTRIAL FIRMS, THE UNION BANK OF SWITZERLAND REPORTS THAT THE RECESSION IS SLOWING. A MAJORITY OF THE FIRMS SURVEYED PLAN TO REBUILD THEIR INVENTORIES OF RAW MATERIALS AND SEMI-FINISHED GOODS OVER THE NEXT FEW MONTHS WHICH SHOULD HELP TO STIMULATE BUSINESS ACTIVITY. FEW FIRMS, HOWEVER, ANTICIPATE ANY INVESTMENT IN NEW CAPITAL EQUIPMENT OR BUILDINGS

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UNTIL THE PROBLEMS OF EXCESS CAPACITY AND LOW SALES ARE RESOLVED.

7. PRICES: THE CONSUMER PRICE INDEX FOR THE END OF JANUARY WAS 165.9 (SEPTEMBER 1966 EQUALS 100) WHICH REPRESENTS AN INCREASE OF 0.5 PERCENT OVER DECEMBER AND A YEAR-TO-YEAR RISE OF 3.4 PERCENT. THE JANUARY INCREASE WAS THE SMALLEST RECORDED FOR THE PAST SIX YEARS. AT THE END OF JANUARY THE WHOLESALE PRICE INDEX STOOD AT 146.1 (1963 EQUALS 100), A DECLINE OF 0.1 PERCENT FROM DECEMBER AND A DROP OF 4.3 PERCENT OVER THE PREVIOUS TWELVE MONTHS.

8. NATIONAL ACCOUNTS REVISED: THE SWISS FEDERAL BUREAU OF STATISTICS HAS COMPLETED A FIVE-YEAR EFFORT TO REVISE SWITZERLAND'S NATIONAL ACCOUNTS. FOLLOWING EXTENSIVE REVISION AND RECONCILIATION OF INCOME AND EXPENDITURE DATE FOR 1970, THE BUREAU OF STATISTICS HAS ISSUED NEW ESTIMATES OF GNP FOR THE YEARS 1968 THROUGH 1975 AS SHOWN BELOW IN MILLIONS OF SF:

OLD GNP	REVISED GNP	REAL GROWTH OF REVISED GNP (PERCENT)
1968 74,220	77,170	--
1969 80,930	84,020	5.5
1970 88,850	93,930	6.0
1971 100,760	106,485	3.9
1972 116,095	120,535	3.2
1973 129,370	134,525	3.2
1974 138,030	146,295	2.0
1975 --	144,640	-7.0

ON THE AVERAGE, THE REVISED FIGURES ARE ABOUT 5 PERCENT HIGHER THAN PREVIOUS ESTIMATES. THE 7.0 PERCENT DROP IN REAL GNP IN 1975, WHICH IS A RECORD DECLINE FOR ANY OECD COUNTRY SINCE THE SECOND WORLD WAR, IS DUE TO THE SHARP CONTRACTION IN CONSTRUCTION AND TO A DECLINE IN INVENTORIES. FOR 1976, THE BUREAU OF STATISTICS ANTICIPATES THAT THERE WILL BE A SMALL REAL GROWTH OF GNP DUE TO INCREASED WORLD DEMAND FOR SWISS EXPORTS, PUBLIC SECTOR SPENDING PROGRAMS, AND LIQUID MONEY MARKET CONDITIONS.

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9. WORKERS' COMPENSATION: THE FEDERAL COUNCIL HAS INCREASED FROM 12 TO 18 MONTHS THE MAXIMUM PERIOD A WORKER ON SHORT TIME MAY DRAW COMPENSATION. APPROXIMATELY 4.6 PERCENT OF THE LABOR FORCE IS WORKING SHORT TIME (SEE BERN 0514), AND ABOUT 65 PERCENT OF ALL BENEFITS BEING PAID UNDER UNEMPLOYMENT INSURANCE PROGRAMS IS GOING TO PEOPLE ON SHORT TIME.

10. PETROLEUM CONSUMPTION: SWISS CONSUMPTION OF PETROLEUM PRODUCTS FELL 3.9 PERCENT IN 1975, FOLLOWING AN 11 PERCENT DECLINE IN 1974. THE DECLINE WAS DUE TO A DECREASE IN INDUSTRIAL DEMAND. PRIVATE CONSUMPTION OF HEATING OIL ROSE 0.7 PERCENT IN 1975, DUE TO A COLDER WINTER, AND THE AMOUNT OF GASOLINE USED WAS UP 1.4 PERCENT.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, GOLD, ECONOMIC REPORTS, FOREIGN EXCHANGE, PRICES, FINANCIAL MARKETS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BERN00636
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760050-0701
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760265/aaaacfey.tel
Line Count: 285
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 08 SEP 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 SEP 2004 by meiwc>; APPROVED <08 SEP 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK OF FEBRUARY 1-7 SUMMARY: THE DOLLAR WAS RELATIVELY STABLE THIS WEEK WHILE
TAGS: EFIN, ECON, SZ
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006